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☛ Details: Legislative Audit Bureau Report 08-10: An Audit: Wisconsin Mental Health Institutes,  
Department of Health Services

(FORM UPDATED: 08/11/2010)

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### 2007-08

(session year)

### Joint

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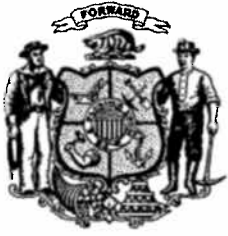
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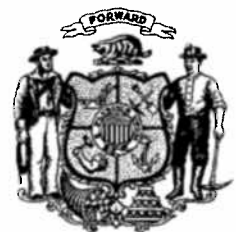


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**Report 08-10  
October 2008**

An Audit

# **Wisconsin Mental Health Institutes**

*Department of Health Services*

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STATE OF WISCONSIN

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Janice Mueller  
State Auditor

October 8, 2008

Senator Jim Sullivan and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have completed financial audits of Mendota and Winnebago Mental Health Institutes for the period July 1, 2006, through June 30, 2007. The audits were requested by the Department of Health Services (formerly the Department of Health and Family Services) to comply with requirements of the Joint Commission on Accreditation of Healthcare Organizations. We were able to express an unqualified opinion on each Institute's financial statements.

Mendota and Winnebago Mental Health Institutes are licensed and accredited hospitals that provide specialized diagnostic, evaluation, and treatment services for mentally ill children and adults. The Institutes also provide services to forensic patients referred to them through the criminal justice system. The Institutes are funded through a mix of general purpose revenue and program revenue.

In FY 2006-07, each Institute reported an operating loss of \$3.7 million, in part because operating expenses increased at a faster pace than operating revenues. Salaries and fringe benefit expenses, which were the largest expenditure category at each Institute, increased by \$5.7 million at Mendota and \$3.5 million at Winnebago. To help address the Institutes' operating losses, the Department increased daily patient rates by 9.5 percent at each Institute effective on October 15, 2007, and approved increases of 9.5 percent at Mendota and 11 percent at Winnebago to be effective October 12, 2008.

Mendota's overall net assets increased by \$1.5 million, while Winnebago's declined by \$2.6 million for FY 2006-07. Mendota's increase in net assets is primarily attributable to proceeds from the sale of general purpose revenue-funded bonds, which it received to install equipment to reduce air pollution at the power plant it operates.

We continued to monitor the status of prior-year concerns related to the administration of approximately \$476,000 in client funds by the Program of Assertive Community Treatment, an outpatient unit of Mendota. In our Report on Internal Control and Compliance, we report that the Department has taken some steps to improve controls subsequent to our audit period. However, we still noted concerns during FY 2006-07.

We appreciate the courtesy and cooperation extended to us by Department of Health Services staff during our audit. A response from the Department follows our report.

Respectfully submitted,

Janice Mueller  
State Auditor

JM/CS/ss